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REPORT OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING AT ITS FOURTEENTH SESSION

Held at the Palais des Nations, Geneva,
from 1 to 5 July 1996

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GE. 96-51458 (E)

INTRODUCTION

1. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) held its fourteenth session from 1 to 5 July 1996 at the Palais des Nations, Geneva.

2. In the course of its session, the Intergovernmental Working Group held five formal meetings and five informal meetings.

3. On Thursday, 4 July 1996, a forum was held on the bankers' view on disclosure and accounting-related matters by commercial banks. Experts from the banking community served as panellists for the forum.

Opening statements

4. The outgoing **Chairperson of the Intergovernmental Working Group at its thirteenth session** said that UNCTAD's new approach to its work meant that there would be more hands-on help for developing countries. Transnational corporations were at the centre of development because they created jobs as well as contributing to trade and investment flows. Sound financial accounting and reporting allowed TNCs to measure their performance accurately, which was crucial if resources were to be allocated in an effective and efficient manner. He stressed that it was important that the Group be able to disseminate its findings and to assist developing countries improve their level of accountancy. Developments in securities markets as TNCs sought to raise capital worldwide required the use of international accounting standards, and this constituted the new politics of accounting. Finally, he encouraged the Group to be more active in putting forward its ideas on standard-setting and to be more pro-active in this field.

5. The **Chairperson of the Intergovernmental Working Group at its fourteenth session** reminded the Group that it was a unique forum where the diverse needs and interests of all member States could be discussed by governmental experts responsible for setting legal requirements or standards on accounting, auditing and reporting for enterprises. ISAR had become an institution with a well-known and globally accepted brand name. He stressed that, by its resolutions 1979/44 and 1982/67, the Economic and Social Council had established ISAR to serve as an international body for the consideration of issues of accounting and reporting in order to improve the availability and comparability of information disclosed by transnational corporations.

6. The **Secretary-General of UNCTAD** said that UNCTAD was starting a new phase in its life, and in fact it could be said to be being born again. It must now find new ways of doing business, though it must also use what was valid from the past, and it must be concrete and pragmatic. Above all it must reach out to civil society and integrate the private sector into the work of the organization.

7. The final communiqué of the G.7 meeting in Lyon had included a very positive assessment of the outcome of UNCTAD IX, pointing to the solid foundation laid for the reorganization of UNCTAD based on key priorities, as well as the emphasis placed on assistance to the least developed countries and

cooperation with the World Trade Organization and other international organizations. It had also stressed the special role of expert groups. At a meeting of heads of international agencies held in conjunction with the G.7 summit, the Managing Director of IMF had said that one of the biggest challenges in the least developed countries was the lack of institutional structures to deal with technical and financial matters. The lack of reliable interlocutors in Ministries of Finance and Treasuries in some developing countries made it difficult for IMF to lend funds which would be used effectively. UNCTAD could take up this mission of institution-building or capacity-building in the developing world. There was no other task which was more valuable.

8. With regard to the Working Group's agenda, during the G.7 summit the fear had been expressed that the world economy could face a grave crisis in the banking sector, and the Group's discussion on disclosure by commercial banks was therefore very timely. He placed high value on collaboration with WTO to help developing countries to benefit from the reduction of barriers to trade in accountancy services. And finally, since sustainable development was a subject that was important to him and UNCTAD, he also encouraged the Group to pursue its contribution to environmental accounting.

Chapter I

ACCOUNTING AND REPORTING BY COMMERCIAL BANKS, INCLUDING DISCLOSURES ON BANK STRUCTURES AND RELATED PARTY DISCLOSURES, AND ON THE APPOINTMENT AND ROTATION OF AUDITORS

(Agenda item 3)

9. For its consideration of this item, the Intergovernmental Working Group had before it the following documentation:

> "Commercial bank accounting and disclosures - report by the UNCTAD secretariat" (TD/B/ITNC/AC.1/9).

10. A number of African countries said that they were currently developing or reviewing laws and regulations on accounting and reporting by commercial banks and that the paper prepared by the secretariat on this topic was very important and useful. The representative of **Tunisia** said that there should be a separate statement that highlighted a bank's risks. He believed that it was necessary to assess these risks several times a year. The representative of **Morocco** said that his country was also in the process of accounting reform in the banking sector and that the secretariat's report would be most useful. His country currently required two additional statements for banks: one on indicators on the quality of management and another on sources of financing. The representative of **Gabon** said that the Central African Customs and Economic Union (UDEAC) was revising the accounting standards for banks and other establishments adopted in 1979. The secretariat study on accounting and reporting by commercial banks would thus be extremely useful to the Central African Banking Commission (COBAC) in finalizing the new accounting standards and bringing them into line with international accounting standards. The representative of **Nigeria** referred to the alarming rate of bank collapse due to fraud and said that his Government had passed a "Failed Banks Act". Embezzlement was a problem faced in all countries, and greater transparency and more comprehensive disclosure could assist the relevant authorities and other interested parties in detecting this illegal practice.

11. The representative of **Brazil** noted that deregulation of the banking sector was taking place during a period of rapid innovation in terms of the introduction of new financial instruments. This was a challenge for bankers, lawyers and accountants. There was a need for transparent accounting to report on these new instruments and to deal with adjustments for inflation. In particular, guidance on these topics was needed by developing countries. The representative of **Zaire** concurred that adjustments were urgently needed to deal with inflation. The Group had considered the topic of hyperinflation and should continue to do so. In his country, banks had reached the brink of bankruptcy, as their capital was being eroded by hyperinflation.

12. The representative of **Lebanon** said that the use of international accounting standards, as promulgated by the International Accounting Standards Committee (IASC), in the preparation of financial statements by corporations to provide information to securities exchanges should be encouraged. He also

emphasized that external auditors needed to develop some way to measure the inherent risk which banks faced and that special attention must be given to transactions between banks and their directors and other related parties. This view was supported by the representative of **Sudan**, who also noted that the stock market in his country lacked sufficient information for the listed banks and that banks would be required in the future to report on a quarterly basis.

13. The representative of **Poland** informed the Group that her country had revised its accounting regulations to bring them into conformity with the European Union's directives, and international accounting standards (IASs) were also being used since some of the EU directives were dated. However, her country was behind in developing rules for new financial instruments. She thought that internal control within banks should be tightened and that guidelines should be developed. This opinion was endorsed by the **Chairperson**, who felt that the Group could provide some guidance in this area and that auditors needed to pay greater attention to internal control measures. The representative of **China** stated that the report on banking was of great use to her country, which was currently formulating accounting and reporting requirements for the banking sector. As China was currently undergoing economic changes, it had little first-hand experience of some of the pitfalls which could be encountered in a private banking sector. The representative of the **European Community** said that the EU bank accounts directive contained a good balance between the information shown in the lay-outs and that contained in the notes. Work was currently under way on accounting and disclosure for new financial instruments. Following the new accounting strategy, the European Union would take into account the work of IASC. The Contact Committee on the Accounting Directives had checked the bank accounts directive against IAS 30 and had found no conflicts.

14. The representative of **Germany** made the point that the reference in document TD/B/ITNC/AC.1/9 to a "radical change in the business environment for banks" might be correct for some countries. However, it did not seem to reflect the circumstances in Germany and other continental European countries where, under the influence of the prudence principle, the business environment for banks had not dramatically changed. He pointed out further that hidden reserves could be of great use and benefit in times of crisis. Hidden reserves could extend the opportunities available to banks to provide extra credits on subsidies for the benefit of enterprises. For instance, in the case of the German enterprise "Metallgesellschaft", the Deutsche Bank had been able help ensure that the enterprise remained in existence. Finally, when determining market valuations, the "value at risk" should be taken into account.

15. The representative of **Brazil** said that a statement on the flow of funds or on cash flows should be one of the required basic financial statements that banks should prepare. The **Chairperson** and the representative of the **European Community** felt that information on the changes in the components of a bank's shareholders' equity should be provided in the notes to the financial statements rather than constituting a separate basic statement.

16. The representative of the **European Community** added that the balance sheet lay-out should be followed by a line item entitled "off-balance sheet items", referring to commitments and contingencies not included in the balance sheet which should be further explained in the notes to the financial statements. The representative of **Lebanon** added that deposits with and from affiliated institutions should be separately reported in the balance sheet.

17. The representative of **Brazil** further expressed the view that a bank's internal accountants and auditors should evaluate the risk management system when evaluating internal controls. Also, a bank's bad debt provisions should not be restricted to the amounts that were deductible for tax reporting purposes but should reflect the true economic conditions that existed. Concerning derivative financial instruments, a bank's disclosures should reflect the purpose for which the transactions were entered: trading, hedging or speculation. This was the primary information that users of financial statements were seeking in order to evaluate a bank's risk exposures.

18. A number of delegations and observers commented upon the use of hidden reserves. Some felt that such reserves were proper to enable banks to stabilize their performance and to assist customers experiencing financial difficulties. This was in conformity with the prudence principle and helped the national economy when significant adverse economic events occurred. A contrasting view was expressed by other delegations that the financial statements of banks should be fully transparent, as this added credibility to their financial reporting. Further, reserves should not be used to support the continued existence of potentially insolvent organizations.

19. A number of comments were also made about how banks should measure the various forms of risks in their operations. The representative of the **World Bank** added that internal controls were a very important aspect of a bank's risk management programme. The representative of **Brazil** felt that it was important for a bank to have one worldwide auditor.

20. The representative of the **International Accounting Standards Committee** (IASC) reported that its Board had recently approved an exposure draft on banking disclosures.

21. Several delegations commented that the supplementary disclosures recommended in the secretariat's report were very useful for consideration by a bank's management, but most of the items were not useful for general reporting purposes and should only be reported to regulatory authorities.

22. The representative of the **United Kingdom** said that regulators had been making greater use of external auditors in recent years, and it was important that there be an open relationship between the regulatory authorities and the external auditors.

Conclusions of the Intergovernmental Working Group on agenda item 3

23. The Intergovernmental Working Group agreed that UNCTAD should publish the report (TD/B/ITNC/AC.1/9), with the appropriate amendments, and send it to IASC for its consideration and response.

Chapter II

ACCOUNTING FOR GOVERNMENT CONCESSIONS

(Agenda item 4)

24. For its consideration of this item, the Intergovernmental Working Group had before it the following documentation:

> "Accounting and reporting for government concessions - report by the UNCTAD secretariat" (TD/B/ITNC/AC.1/8).

25. A **representative of the UNCTAD secretariat** introduced the item, noting that a related subject, "Accounting for government grants", had been considered at the twelfth session of the Group in 1994.

26. The representative of **Morocco** said that, in some situations, the transferor might also grant monopolistic rights as part of a concession agreement. Since a grantee's costs in respect of services rendered or to be rendered affected charges to consumers, a concession holder had special fiduciary responsibilities to justify the reported costs so that regulators could adequately protect consumers.

27. The representative of **Germany** made the point that although, from an economic standpoint, certain concessions might grant the use of assets for a period equalling or exceeding their useful life, as in the situation that occurred for so-called financial leases, the laws of a country should not allow the capitalization of the cost of use. In the case of so-called economic ownership, the most suitable solution might be the capitalization of the asset in the accounts of the grantee, not of the owner, provided that the right of use (of the grantee) was legally enforced.

28. The representative of **Brazil** felt that the document before the Group was an important paper because very little accounting guidance had been published in the area in question and most countries in the process of privatization had to deal with many of the transactions concerned.

29. Several delegations expressed the belief that tax benefits and import and export concessions granted by a Government should not be disclosed in general-purpose financial statements and that the topic should be more appropriately addressed in a study on tax reporting. A few other delegations supported the recommendation that the disclosures be made for transparency purposes.

Conclusions of the Working Group on agenda item 4

30. The Group concluded that UNCTAD should publish the report (TD/B/ITNC/AC.1/8), with the appropriate amendments, and send it to IASC for its consideration and response.

Chapter III

OTHER BUSINESS

(Agenda item 5)

(a) Oral report on national surveys on reasons for non-compliance with international standards of accounting and reporting and recommendations, based on the surveys, to remedy deficiencies

31. A **representative of the UNCTAD secretariat** gave an oral report on compliance of national accounting standards with international accounting standards, based on document TD/B/ITNC/AC.1(XIV)/CRP.1, entitled "Compliance with international accounting standards".

32. The **Chairperson** commented on the distinction made in the document between credit-tax countries and equity market countries and the differences this caused in their accounting standards. He thought that the participation of the private sector in standard-setting in the equity market countries was preferable to the situation that prevailed in the credit-tax countries, where rule-making was in the hands of Governments. He wondered if the Group could assist Governments in moving to more self-regulation and amending legislation to bring it into line with international accounting standards (IASs). He hoped that, in the future, TNCs wishing to seek listings on foreign security exchanges would not need to prepare multiple sets of financial statements but one set based on international accounting standards. Harmonized standards were also needed for non-global players such as small and medium-sized businesses.

33. Furthermore, he suggested that, since ISAR was the only body where experts worked in the interests of government, it could present the views of Governments to IASC for the development of international accounting standards. The representative of **IASC** thought that there was merit to this suggestion. Both the EU and the International Organization of Securities Commissions (IOSCO) had had observer status on the IASC Board. He also informed the Group that IASC was moving rapidly towards producing a core set of standards acceptable to IOSCO by early 1998. IASC was also considering ways to help with the interpretation of its standards and in the future would be open to questions on their meaning and application. IASC remained as interested as ever in developing countries and had undertaken a project on accounting for agriculture with funds from the World Bank.

34. A number of representatives, including those of **Brazil**, **Chile**, **China**, the **Republic of Korea**, **Poland**, **Thailand** and **Turkey**, made comments and corrections to the information contained in document TD/B/ITNC/AC.1(XIV)/CRP.1, which would be taken into account when the paper was published as part of *International Accounting and Reporting Issues: 1996 Review* (forthcoming). Rapid progress in the development of capital markets in developing countries and the move of economies in transition to market economies made the precise classification of countries difficult. Thus, the situation in some countries had changed since early 1995 when the survey had been undertaken. Many countries felt that even though their accounting standards did not comply

completely with international standards, sufficient progress had been made in this area and they would be better described as being "in partial compliance". The representative of **Zaire** said that while his country was aware of IASs, it found it difficult to apply them. There were problems with interpretation and also with the regulatory system which embedded accounting rules in law and made them difficult to change in line with IASs. The representative of **Hungary** concurred that where accounting rules were legislated, the process involved was a very long one. His country had successfully implemented the EU directives and now companies were complying with IASs voluntarily. The representative of **Chile** stated that his country still followed accounting developments in the developed equity market countries, especially United States accounting standards (FAS), although IASC standards were increasingly accepted and used on the market and provided important guidelines when local standards were lacking in certain areas. The representative of **Sudan** said that in Sudan the work of ISAR and the IASC was modified by local laws. A number of delegations felt that the use of ISAs by enterprises would attract foreign direct investment and credit financing.

35. The representative of **Nigeria** said that the paper could be a useful tool in analysing the status of accounting within the African region. The representative of **ICFTU** stated that the report showed the obstacles to compliance and what steps needed to be taken. She added that banks were requiring the use of IASs even for non-global companies. She supported the idea of fuller participation of the IASC in ISAR sessions, as did a number of other delegations.

36. The representative of **Morocco** suggested that it must be asked whether IASs were too sophisticated and costly for small and medium-sized enterprises to apply. Such enterprises might need simplified systems. This view was also expressed by the **Chairperson** and the representatives of **Denmark** and the **European Community**. The European Commission had adopted a new accounting strategy under which it would enhance collaboration within Europe and avoid proposing new legislation as far as possible. It also encouraged the joint work of IOSCO and IASC for consolidated accounts of companies seeking listing on stock exchanges worldwide. The Contact Committee on the Accounting Directives had examined the conformity of IASs with EU directives and there were no major conflicts. For individual company accounts, there was a long way to go to arrive at a common international language. The costs and benefits of having one uniform system must always be taken into account.

37. The observer from the **Canadian Institute of Chartered Accountants** questioned this viewpoint, since different rules for large and small companies would make a true and fair view difficult. Of course, small companies should not have to provide the detail that large companies did, but this was a decision to be made at the national level. Inevitably small companies got larger, and it would be impractical if the accounting rules changed when they achieved a certain critical size.

38. The **Chairperson** said he was impressed that so many delegations had stressed the continuing need for ISAR to support further harmonization on a worldwide basis in the interests of all concerned. The lack of adequate accounting and auditing standards had been seen as a major obstacle for

developing countries and countries in transition in their quest for growth, development and membership in the global economy. Harmonization of standards for cross-border listings would also create the need for a similar harmonization of standards for other enterprises (i.e. non-listed enterprises, small and medium-sized enterprises), especially in developing countries and countries in transition.

Conclusions of the Working Group on agenda item 5 (a)

39. The Group concluded that the text of document TD/B/ITNC/AC.1(XIV)/CRP.1 should be updated on the basis of the comments made in the Group and then published.

40. It was evident that self-regulation was preferable, but it was not practised in all countries. There was a continuing need for further harmonization on a worldwide basis, taking into account the different objectives of users of financial statements. The lack of adequate accounting and auditing standards was a major obstacle for developing countries and countries in transition in their quest for growth, development and integration in the global economy. The codified-law countries preferring credit-based accounting standards should consider how they could improve participation in standard-setting in their countries. Harmonization of standards for cross-border listings might also create the need for the harmonization of standards for other enterprises (i.e. non-listed enterprises, small- and medium-size enterprises), especially in developing countries and countries in transition.

41. The Group proposed that:

(a) Existing IASs should be reviewed to determine whether they met the interests of all enterprises; such a review should take into account the cost/benefit ratio of accounting and auditing, the question of the size of enterprises, and the need to maintain business confidentiality in sensitive areas in order not to jeopardize competitive positions;

(b) Cooperation with other international organizations involved in standard-setting should be further improved in order to enhance the formulation and utilization of international accounting standards.

(b) Oral report on transfer pricing methods and current practices

42. A **representative of the UNCTAD secretariat** gave an oral report on transfer pricing methods and current practices based on document TD/B/ITNC/AC.1(XIV)/CRP.2, entitled "Transfer pricing regulations and transnational corporation practices: guidance for developing countries - report by the UNCTAD secretariat".

43. The representatives of **ICFTU**, **Morccco**, **Nigeria** and **Brazil** discussed the need for greater disclosure. The representative of the **United Kingdom** considered that the question of pricing disclosure issues was primarily a matter for special-purpose reports to revenue authorities rather than for

general-purpose financial statements. The representatives of **Japan**, **Switzerland** and the **United Kingdom** took the view that the costs and benefits of increased disclosure should be carefully balanced.

Conclusions of the Working Group on agenda item 5 (b)

44. It was decided that the text of document TD/B/ITNC/AC.1(XIV)/CRP.2 should be revised to make it descriptive rather than prescriptive in respect of the methods used to determine transfer prices. In order to provide developing countries with more understanding of these methods, they should be described in greater detail. The section on government regulations for the control of transfer pricing could be deleted. The comments of the various delegations regarding the type and extent of disclosure in financial statements would also be incorporated into the new version.

(c) Oral report on accounting developments at the global level

45. Delegations were invited to provide the UNCTAD secretariat with written comments and corrections on document TD/B/ITNC/AC.1(XIV)/CRP.3, entitled "Review of significant current developments at the global and regional levels in the field of accounting and reporting by transnational corporations".

(d) Oral report on the proposed subgroups on global qualification standards for accountants (including accounting technicians) and on a professional accreditation system based on global qualification standards

46. A representative of the UNCTAD secretariat made an oral presentation on developments in the World Trade Organization and its Working Party on Professional Services and how they related to the work of the Intergovernmental Working Group. During the course of 1995, the Working Party had taken up the question of reducing barriers to trade in accountancy services. Since it was now clear that there would be no duplication of work between UNCTAD and WTO, UNCTAD would convene a steering committee to start work on the development of a global qualification. This work now had a double significance, since the development of a benchmark for professional qualifications would both strengthen the profession in developing countries and allow those countries to take advantage of any reductions in the barriers to trade in accountancy services. This was in line with the outcome of UNCTAD IX, where UNCTAD had been urged to extend appropriate technical assistance to developing countries to strengthen their service sectors and help them reap the maximum possible benefits from liberalization of trade in services.

47. The representative of the **United Kingdom** suggested that initiatives relating to international education should have full regard to the work of the International Federation of Accountants (IFAC) in this area. The representative of the **World Trade Organization** confirmed that there was no duplication in the work of the Working Party and UNCTAD.

Conclusions of the Working Group on agenda item 5 (d)

48. The Working Group noted that it was now clear that there would be no duplication between UNCTAD and WTO and that work would proceed on the development of a global qualification, as requested by the Group at its eleventh session and subsequently approved by its parent bodies.

(e) Oral report on follow-up activities relating to topics considered at the Group's thirteenth session

49. A representative of the UNCTAD secretariat made an oral presentation on the outcome of the workshop on environmental accounting which had been convened in December 1995 to discuss what further contribution UNCTAD could make to this field. Activities had been identified in four areas: financial accounting, management accounting, environmental reports and the relation between environmental performance indicators and financial ratios. Such work was in line with the commitment entered into at UNCTAD IX to promote sustainable development. UNCTAD would carry out this project in close cooperation with the World Bank, UNEP and a number of national professional institutes.

Conclusions of the Working Group on agenda item 5 (e)

50. The Group noted that this issue would be included in its agenda for its next session.

Chapter IV

PROCEEDINGS OF THE CLOSING PLENARY

General recommendation

51. The Intergovernmental Working Group strongly recommended that work on international standards of accounting and reporting should be pursued in UNCTAD on an ongoing basis, since reliable, transparent and comparable financial information is necessary for growth and development in general and for a sound banking sector and stock market, as well as for the attraction of foreign direct investment and for successful privatization. An expert meeting should be convened and focus on environmental accounting and the development of the global qualification for accountants. On the first issue, collected guidance on the main issues in environmental financial accounting and identification of key environmental performance indicators and their relation to financial performance should be examined. It should be borne in mind that the Group has served as the sole focal point for such work in the United Nations system and has produced practical guidance, as well as concrete programmes, for the benefit of developing countries and countries in transition.

52. The **Chairperson** said that work on transfer pricing and accounting developments at the global level would continue, since it was already under way.

Statements made in connection with the adoption of the draft report

53. The representative of the **World Bank** said that reference was made in the draft report to the secretariat's publication *International Accounting and Reporting Issues: 1996 Review*, and in that connection he expressed the hope that the *1995 Review* would soon be made available.

54. The **representative of the UNCTAD secretariat** expressed regret at the delays experienced in the publication of the *Review* over the last three years. Those delays were due to the financial crisis of the United Nations and other priorities in UNCTAD's publishing programme.

Closing statements

55. The representative of **Brazil**, speaking on behalf of the **Latin American and Caribbean Group**, said that his Group supported the work of the Intergovernmental Working Group of Experts, and the Commission on Investment, Technology and Related Financial Issues should establish the dates for the Group's next session in 1997, in accordance with paragraph 115 of the "Partnership for growth and development" (TD/377).

56. The representative of **Ireland**, speaking on behalf of the **European Union**, said that the issue of international standards of accounting and reporting was of crucial importance to the developing countries and countries in transition. The European Union was convinced of the importance of work on the issue and of the need to carry it forward within UNCTAD's new institutional infrastructure.

57. The representative of the **United Kingdom**, speaking on behalf of **Group B**, stressed the importance of the work carried out by the Intergovernmental Working Group and expressed the hope that work on international standards of accounting and reporting, which was vital for developing countries and countries in transition, could be continued effectively and efficiently within the new structures of UNCTAD, as established at UNCTAD IX.

58. The **Deputy to the Secretary-General of UNCTAD** said that the Group's session had contributed substantially to the international dialogue on accounting and reporting. The forum on the bankers' view on disclosure and accounting-related matters by commercial banks had provided a good example of the involvement of the private sector in UNCTAD's work. He welcomed the fact that the Group had endorsed work by the secretariat on environmental accounting and the development of a global qualification for accountants. The Group's recommendation on future work in the field of accounting and reporting would provide a good basis for reasoned consideration of the issue by the appropriate political body in UNCTAD.

59. The **Chairperson** said he was satisfied that, at its fourteenth session, ISAR had proved the high qualification of its experts and the need to continue with its harmonization programme in the field of accounting and auditing, especially in the interests of developing countries and countries in transition. He expected ISAR's fate to be decided in the coming months during the discussions aimed at strengthening the institutional machinery of UNCTAD. He recommended that all delegations interested in continuing the work of ISAR should convince the appropriate authorities in their capitals and that they send the message to the missions in Geneva. He promised to continue to follow the discussions on the future of the Group and to make known the views of many delegations who felt that the Group should continue and should retain its identity.

Chapter V

ORGANIZATIONAL MATTERS

A. Opening of the session

60. The fourteenth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) was opened by Mr. L. Nelson Carvalho (Brazil), Chairman of the Group at its thirteenth session.

B. Election of officers

(Agenda item 1)

61. At its 1st meeting, on 1 July 1996, the Group elected the following officers:

Chairperson:	Mr. Herbert Biener	(Germany)
Vice-chairpersons:	Mr. Cemal Kuçuksözen	(Turkey)
	Mr. Abdelaziz Talbi	(Morocco)
	Mrs. María Flora Calva	(Costa Rica)
	Mr. Prawit Minsuvannakul	(Thailand)
	Mr. Krastev Todor	(Bulgaria)
Rapporteur:	Mr. Syarifuddin	(Indonesia)

C. Adoption of the agenda and organization of work

(Agenda item 2)

62. At its 1st meeting, on 1 July 1996, the Group adopted its provisional agenda (TD/B/ITNC/AC.1/7), as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Accounting and reporting by commercial banks, including disclosures on bank structures and related party disclosures, and on the appointment and rotation of auditors
4. Accounting for government concessions
5. Other business
   (a) Oral report on national surveys on reasons for non-compliance with international standards of accounting and reporting and recommendations, based on the surveys, to remedy deficiencies;

(b) Oral report on transfer pricing methods and current practices;

(c) Oral report on accounting developments at the global level;

(d) Oral report on the proposed subgroups on global qualification standards for accountants (including accounting technicians) and on a professional accreditation system based on global qualification standards;

(e) Oral report on follow-up activities relating to topics considered at the Group's thirteenth session

6. Provisional agenda for the fifteenth session of the Group

7. Adoption of the report of the Working Group on its fourteenth session

D. Adoption of the report of the Working Group

(Agenda item 7)

63. At its closing plenary meeting, on 5 July 1996, the Working Group adopted its draft report (TD/B/ITNC/AC.1/L.3 and Add.1), subject to any amendments received from delegations to the summaries of their statements, and authorized the Rapporteur to complete the text of the report in the light of the proceedings of the closing plenary.

64. The **Chairperson** said that, pending the final decision of the Trade and Development Board on the parent body of the Working Group, it was expected that the Group's report would be submitted to the Commission on Investment, Technology and Related Financial Matters.

Annex

ATTENDANCE 1/

1. The following States members of UNCTAD were represented at the session:

Algeria
Argentina
Australia
Brazil
Bulgaria
Chile
China
Colombia
Costa Rica
Cyprus
Democratic People's Republic of Korea
Denmark
Ethiopia
Finland
France
Gabon
Gambia
Germany
Ghana
Honduras
Hungary
Indonesia
Iran (Islamic Republic of)
Ireland
Italy
Jamaica
Japan
Jordan
Kazakstan
Lebanon
Madagascar
Morocco
Netherlands
Nigeria
Philippines
Poland
Republic of Korea
Romania
Russian Federation
Spain
Sudan
Switzerland
Thailand
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United States of America
Viet Nam
Zaire

2. The following specialized agencies and related organizations were represented at the session:

United Nations Educational, Scientific and Cultural Organization
World Bank
World Trade Organization

3. The following intergovernmental organizations were represented at the session:

European Community
Organization of African Unity

1/ For the list of participants, see TD/B/ITNC/AC.1/INF.2.

4. The following non-governmental organizations were represented at the session:

General Category

International Confederation of Free Trade Unions

5. The following organizations, specially invited by the secretariat, attended the session:

Accounting and Auditing Organization for Islamic Financial Institution
Canadian Institute of Chartered Accountants
Certified General Accountants Canada
Chartered Association of Certified Accountants
International Accounting Standards Committee.